

**Economic Development Corporation of the City of Flint
Flint, Michigan
(a component unit of the City of Flint, Michigan)**

**Financial Report
with Supplemental Information
June 30, 2008**

Economic Development Corporation of the City of Flint

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Economic Development Corporation of the City of Flint

Appointed Officials

Mayor Donald J. Williamson

President

Mr. Lawrence Ford

Chairman

Mr. Marshall Sanders

Treasurer

Ms. Jean Conyers

Secretary

Ms. Donna Dodds Hamm

Flint City Councilman, Erhen Gonzales

Flint City Councilman, Kerry Nelson



Plante & Moran, PLLC

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Independent Auditor's Report

To the Board of Directors
Economic Development Corporation
of the City of Flint
Flint, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Economic Development Corporation of the City of Flint (EDC), a component unit of the City of Flint, as of and for the year ended June 30, 2008, which collectively comprise EDC's basic financial statements as listed in the table of contents. These financial statements are the responsibility of EDC's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the Flint Economic Development Corporation, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Plante & Moran, PLLC

December 19, 2008

Economic Development Corporation of the City of Flint

Management's Discussion and Analysis

As management of the Economic Development Corporation of the City of Flint (EDC), we offer readers of the EDC financial statements this narrative overview and analysis of the financial activities. This section of the City of Flint EDC's annual financial report presents our discussion and analysis of the EDC's financial performance during the fiscal year that ended on June 30, 2008. Please read it in conjunction with the EDC's financial statements, which follow this section.

Financial Highlights

- The EDC total net assets at June 30, 2008 decreased by \$6,449 to \$1,203,361 from the June 30, 2007's total net assets of \$1,209,810.
- A total of \$781,586 is restricted in the EDC for the revolving loan program which is an increase of \$38,328 over the prior restricted balance of \$743,258.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the EDC as a whole and present a longer-term view of the EDC's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The Fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the EDC's operations in more detail than the government-wide financial statements by providing information about the EDC's most significant funds.

Analysis of Government-wide Financial Statements

Summary of Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Current assets	\$191,519	\$214,416	\$(5,060)	\$ 6,890	\$186,459	\$ 221,306
Noncurrent assets:						
Other	633,839	530,473	-	-	633,839	530,473
Capital assets	-	-	432,496	493,324	432,496	493,324
Total assets	825,358	744,889	427,436	500,214	1,252,794	1,245,103
Current liabilities	34,650	-	14,783	35,293	49,433	35,293
Long-term liabilities	-	-	-	-	-	-
Total liabilities	34,650	-	14,783	35,293	49,433	35,293

Economic Development Corporation of the City of Flint

Management's Discussion and Analysis (Continued)

	Governmental Activities		Business-type Activities		Total	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Net assets:						
Invested in capital assets -						
Net of related debt	-	-	432,496	493,324	432,496	493,324
Restricted	781,586	743,258	-	-	781,586	743,258
Unrestricted (deficit)	9,122	1,631	(19,843)	(28,403)	(10,721)	(26,772)
Total net assets	\$790,708	\$744,889	\$412,653	\$464,921	\$1,203,361	\$1,209,810

Summary of Condensed Income Statement

	Governmental Activities		Business-type Activities		Total	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Revenue						
Program revenue:						
Charges for services	\$153,691	\$ -	\$105,633	\$110,604	\$259,324	\$110,604
Contributions	-	-	-	91,372	-	91,372
General revenue:						
Interest	12,594	32,749	-	-	12,594	32,749
Miscellaneous	69,668	46	1,257	23,348	70,925	23,394
Total revenue	235,953	32,795	106,890	225,324	342,843	258,119
Program Expenses						
Economic development	190,134	55,380	-	-	190,134	55,380
Rental operations	-	-	159,158	221,799	159,158	221,799
Total program expenses	190,134	55,380	159,158	221,799	349,292	277,179
Change in Net Assets	45,819	(22,585)	(52,268)	3,525	(6,449)	(19,060)
Net Assets - Beginning of year	744,889	767,474	464,921	461,396	1,209,810	1,228,870
Net Assets - End of year	\$790,708	\$744,889	\$412,653	\$464,921	\$1,203,361	\$1,209,810

The governmental net assets increased \$45,800 from last year's balance of \$745 thousand to \$790 thousand. This is a 6 percent increase. This increase was due to the reinstatement of an RLF loan receivable that had been deemed uncollectible and written off last year. The EDC was able to renegotiate a new agreement with the delinquent party and loan payments are now being received in a timely fashion.

Economic Development Corporation of the City of Flint

Management's Discussion and Analysis (Continued)

Governmental unrestricted net assets – the part of net assets that can be used to finance day-to-day operations – amounted to a balance of \$8,852 for our non-revolving loan fund governmental activities. Restricted net assets (restricted for economic development loans) increased \$38 thousand to \$781 thousand. Of this amount, \$300 thousand has been sequestered per the U.S. Economic Development Administration. (Any RLF program that does not meet EDA's capital utilization requirements for two consecutive reporting periods must sequester excess funds.) The EDC is in the process of approving loans that will reduce cash on hand and eliminating the need for the sequestered funds. In FY 08 a loan was made that reduced the sequestered amount by \$230 thousand.

EDC's business-type activities consist of the Oak Business Center. The Oak Business Center is a small business incubator facility which leases commercial and light industrial space to new businesses. The net assets of business type activities decreased by \$52,268 from last year's balance of \$465 thousand. This change amounts to an 11 percent decrease.

Unrestricted net assets – the part of the net assets that can be used to finance day-to-day operations – has been in deficit since fiscal year 2004. This deficit was reduced from \$(28,403) to \$(19,843) during fiscal year 2008. This \$8,560 change represents a 30 percent reduction of the deficit in unrestricted net assets.

During the fiscal year 2008, the Oak Business Center (OBC) management changes initiated in fiscal year 2007 continued, including the processes of updating lease agreements, improving rent collections, and marketing the OBC's vacancies. This brought about the improved results.

EDC's Funds

Our analysis of EDC's funds begins following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not EDC as a whole. EDC's board creates funds to help manage money for specific purposes as well as to show accountability for certain activities. EDC's funds for 2008 include the General Fund, the State Revolving Loan Fund, and the Oak Business Center.

Analysis of Governmental Funds Financial Statements

Governmental funds, (everything but Oak Business Center), are reported in the third and fourth statements in the report, which are the Balance Sheet, and Statement of Revenue, Expenditures, and Changes in Fund Balances. As stated previously, the EDC has two governmental funds, General Operations and the State Revolving Loan Fund (RLF).

The EDC "General Fund" is used to account for the day to day operations of EDC. It is used to account for all financial resources of the EDC, except those required to be accounted for in another fund. Revenues in FY-08 exceeded expenditures by \$7,491 increasing fund balance to \$9,122. This resulted from the sale of a Bond which generated revenue for the EDC in the amount of \$16,000.

Economic Development Corporation of the City of Flint

Management's Discussion and Analysis (Continued)

The State Revolving Loan Fund generated interest revenue of \$12,594. The \$463,701 State Revolving Loan Fund balance is entirely reserved for economic development loan activity. The U.S. Economic Development Administration ("EDA"), as the granting agency of the State revolving loan fund, has sequestered \$299,960 of these funds due to inadequate loan activity. EDC administration is working with officials from EDA to resolve this situation.

Business-type Activities

Oak Business Center (OBC) had a decrease in net assets of \$52,268 in FY-08. Fixed assets declined \$60,828 due to depreciation of assets. The unrestricted net assets increased \$8,560 bringing the unrestricted net asset deficit to \$(19,843) from last year's deficit of \$(28,403). This year's improvement is due to improved operating results. FY-08 operating loss was \$(51,163). This is a 39% improvement from the \$(83,901) operating loss experienced in FY-07. Lease income amounted to \$105,633. Total operating income for FY-08 was almost \$107,000, which is \$27,000 lower than FY-07. FY-08 operating expenses of approximately \$158,000 are lower than FY-07 expenditures by approximately \$60,000. The major factor for this decrease was the hiring of an independent company to oversee the day to day operations of OBC. The cost of the Management Company compared to having a person on payroll was substantially less. The Management Company also handles the maintenance of the building which alleviates having to hire additional staff. The collection of rent has become more aggressive. This has helped to decrease the bad debt expense substantially. It is anticipated that improvements in operating results will continue in FY-09.

Capital Asset and Debt Administration

EDC's investment in capital assets for its business type activities as of June 30, 2008 amounts to \$432,496 (net of accumulated depreciation). This investment in capital assets includes land, building, improvements, and machinery and equipment. The total decrease in EDC's investment in capital assets for the current fiscal year was 12.3 percent.

Economic Factors

Besides having state authority to issue revenue bonds to provide lease contracts to commercial enterprises, its primary responsibility is to administer the revolving loan funds for the City. The City has four RLFs (City revolving loan funds 1 and 2, CDBG funded BDF revolving loan fund, and EDC's State revolving loan fund).

The EDC made several changes to improve its administrative capacity to operate the revolving loan fund and reduce large unused pools of cash. The EDC established a loan review committee to work with staff. Staff has been hired to operate the loan programs, including a program director, a full-time loan officer, a contract compliance officer, and a loan processor to administer the loan portfolios, including tracking loans and collecting payments and ensuring compliance with federal regulations governing revolving loan funds. EDC retained legal counsel to assist in preparation and legal recording of collateral documents and to assist with loan defaults and foreclosures. These corrective actions should improve loan production during the next fiscal years.

Economic Development Corporation of the City of Flint

Management's Discussion and Analysis (Continued)

Contacting the EDC's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the EDC's finances and to demonstrate the EDC's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Flint's Finance Department, 1101 South Saginaw Street, Flint, MI 48502.

Economic Development Corporation of the City of Flint

Statement of Net Assets June 30, 2008

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 158,827	\$ -	\$ 158,827
Cash held with agent	10,751	-	10,751
Receivables (net of allowance - \$91,315)	333,879	5,295	339,174
Internal balances	21,941	(21,941)	-
Prepaid expenses	-	11,586	11,586
Restricted assets	299,960	-	299,960
Capital assets - Net			
Assets not subject to depreciation	-	93,860	93,860
Assets subject to depreciation	-	338,636	338,636
Total assets	825,358	427,436	1,252,794
Liabilities			
Accounts payable	34,650	6,305	40,955
Deferred revenue	-	625	625
Deposits payable	-	7,853	7,853
Total liabilities	34,650	14,783	49,433
Net Assets			
Invested in capital assets	-	432,496	432,496
Restricted for revolving loan program	781,586	-	781,586
Unrestricted (deficit)	9,122	(19,843)	(10,721)
Total net assets	\$ 790,708	\$ 412,653	\$ 1,203,361

See Notes to Financial Statements.

Economic Development Corporation of the City of Flint

Statement of Activities Year Ended June 30, 2008

Functions\Programs	Program Revenues			Net Expense and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-type Activities	Total
Primary Government						
Governmental activities:						
Economic development	\$ 190,134	\$ 153,691	\$ -	\$ (36,443)	\$ -	\$ (36,443)
Total governmental activities	190,134	153,691	-	(36,443)	-	(36,443)
Business-type activities:						
Rental operations	159,158	105,633	-	-	(53,525)	(53,525)
Total business-type activities	159,158	105,633	-	-	(53,525)	(53,525)
Total primary government	\$ 349,292	\$ 259,324	\$ - 0 -	(36,443)	(53,525)	(89,968)
General revenues:						
Interest				12,594	-	12,594
Miscellaneous				69,668	1,257	70,925
Total general revenues				82,262	1,257	83,519
Change in Net Assets				45,819	(52,268)	(6,449)
Net Assets - Beginning				744,889	464,921	1,209,810
Net Assets - Ending				\$ 790,708	\$ 412,653	\$ 1,203,361

See Notes to Financial Statements.

Economic Development Corporation of the City of Flint

Balance Sheet Governmental Funds June 30, 2008

	General Operations	Special Revenue State RLF	Total
Assets			
Cash and cash equivalents	\$ -	\$ 158,827	\$ 158,827
Cash held with agent	5,831	4,920	10,751
Receivable	16,000	317,879	333,879
Due from other funds	21,941	-	21,941
Restricted assets	-	299,960	299,960
Total assets	\$ 43,772	\$ 781,586	\$ 825,358
Liabilities			
Accounts payable	\$ 34,650	\$ -	\$ 34,650
Deferred revenue	-	317,879	317,879
Total liabilities	34,650	317,879	352,529
Fund Balances			
Reserved:			
Restricted assets	-	299,960	299,960
Economic development activity	-	163,747	163,747
Unreserved - Undesignated	9,122	-	9,122
Total fund balances	9,122	463,707	472,829
Total liabilities and fund balances	\$ 43,772	\$ 781,586	\$ 825,358

See Notes to Financial Statements.

Economic Development Corporation of the City of Flint

Statement of Revenue, Expenditures, and Changes in Fund Balances Governmental Funds Year Ended June 30, 2008

	General Operations	Special Revenue State RLF	Total
Revenue			
Interest	\$ -	\$ 12,594	\$ 12,594
Charges for services	149,941	-	149,941
Miscellaneous	-	5,539	5,539
Total revenue	149,941	18,133	168,074
Expenditures			
Current - economic development			
Professional services	142,328	46,516	188,844
Bank fees	-	1,168	1,168
Loans	-	250,000	250,000
Interest expense	122	-	122
Total expenditures	142,450	297,684	440,134
Excess (deficiency) of revenue over expenditures	7,491	(279,551)	(272,060)
Fund Balance - Beginning of year	1,631	743,258	744,889
Fund Balance - End of year	\$ 9,122	\$ 463,707	\$ 472,829

See Notes to Financial Statements.

Economic Development Corporation of the City of Flint

Statement of Net Assets Oak Business Center - Enterprise Fund June 30, 2008

Assets

Current assets:

Receivables:

Leases (net of allowance - \$3,801)

\$ 5,295

Prepaid costs

11,586

Total current assets

16,881

Capital assets (net of accumulated depreciation)

432,496

Total assets

449,377

Liabilities

Current liabilities:

Accounts payable

6,305

Deposits payable

7,853

Deferred revenue

625

Due to other funds

21,941

Total current liabilities

36,724

Net Assets

Invested in capital assets

432,496

Unrestricted (deficit)

(19,843)

Total net assets

\$ 412,653

Economic Development Corporation of the City of Flint

Statements of Revenue, Expenses, and Changes in Net Assets Proprietary Fund Type (Enterprise Fund) Year Ended June 30, 2008

Operating Revenue	
Lease income	\$ 105,633
Miscellaneous income	1,257
	<hr/>
Total operating revenue	106,890
	<hr/>
Operating Expenses	
Utilities	22,063
Repairs and maintenance	10,691
Telephone	2,784
Depreciation	60,828
Professional services	44,696
Insurance	11,439
Office supplies	2,665
Bad debt expense	2,887
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Total operating expenses	158,053
	<hr/>
Operating loss	(51,163)
	<hr/>
Nonoperating Expenses	
Interest expense	(1,105)
	<hr/>
Change in net assets	(52,268)
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Net Assets - Beginning of year	464,921
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Net Assets - End of year	\$ 412,653
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See Notes to Financial Statements.

Economic Development Corporation of the City of Flint

Statement of Cash Flows Proprietary Fund Type (Enterprise Fund) June 30, 2008

Cash Flow from Operating Activities

Receipts from customers	\$ 101,566
Miscellaneous receipts	1,257
Payments to suppliers	(108,895)
Net cash used in operating activities	(6,072)

Cash Flow from Noncapital Financing Activities

Loan from primary government	7,177
Interest paid	(1,105)
Net cash provided by noncapital financing activities	6,072

Net change in cash and equivalents -

Cash and Equivalents - Beginning of year -

Cash and Equivalents - End of year \$ -

Reconciliation of Operating Loss to Net Cash Used in Operating Activities

Operating loss	\$ (51,163)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation expense	60,828
Bad debt expense	2,887
Changes in assets and liabilities:	
Receivables	(4,692)
Prepays	(8,186)
Accounts payable	(8,509)
Deposits	2,138
Deferred revenue	625
Net cash used in operating activities	\$ (6,072)

Economic Development Corporation of the City of Flint

**Notes to Financial Statements
June 30, 2008**

Note I - Summary of Significant Accounting Policies

The accounting policies of the Economic Development Corporation of the City of Flint (EDC) conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the significant policies used by the EDC:

A. Reporting entity

The Economic Development Corporation of the City of Flint (EDC) was incorporated on June 14, 1978, under the provision of Act 338 of the Public Acts of 1974, as amended, for the following purposes: to alleviate and prevent conditions of unemployment, to assist and retain local industries and commercial enterprises, to strengthen and revitalize the economy of the State of Michigan and particularly the City of Flint, to provide the means and methods for encouragement and assistance of industrial and commercial enterprises in locating and expanding in the State of Michigan and particularly in the City of Flint, and to encourage the relocation and expansion of commercial enterprises to more conveniently provide needed services and facilities to the commercial enterprises, to the City of Flint and residents thereof.

One means of accomplishing these purposes is through the use of lease contracts with commercial and industrial enterprises. According to the terms of the lease contracts, the EDC agrees to issue revenue bonds, the proceeds from which will be used to finance a project benefiting the commercial or industrial enterprise, and the enterprise agrees to make lease payments equal to the bond principal and interest payments. The revenue bonds are payable solely from the net revenues derived from the project, and the bonds are collateralized by a mortgage on the project and the lease contract. Since each bond issued by the EDC is payable solely from the net revenues derived from the related project through lease payments, and since the bonds are not a general obligation of the EDC, the bonds and related lease contracts have not been reflected in the financial statements of the EDC.

Scope of reporting entity:

The accompanying financial statements are exclusive presentations of the financial condition and results of operations of the Economic Development Corporation of the City of Flint and its component units, entities for which the EDC is financially accountable. The EDC is considered a "component unit" of the City of Flint's governmental operation. As a result, governmental reporting standards require the City to include the financial activities of the EDC in the City's Annual Financial Report. The Annual Financial Report of the City of Flint is available for public inspection at City Hall.

The EDC assists the City of Flint's Department of Community Development in administering various revolving loan fund programs. However, since the EDC does not control the bank accounts of these programs, the transactions are not reported in the financial statements of the EDC, but rather in the City's financial statements.

Economic Development Corporation of the City of Flint

Notes to Financial Statements June 30, 2008

Note I - Summary of Significant Accounting Policies (Continued)

A. Reporting entity (continued)

Brownfield Redevelopment Authority component unit:

On July 28, 1997, the City Council of the City of Flint created the Brownfield Redevelopment Authority (Authority). The Authority was established to be under the supervision and control of a Board consisting of the board of directors of the Economic Development Corporation of the City of Flint. The Authority has the powers and duties to the full extent as provided by and in accordance with Act 381 of the Public Acts of the State of Michigan of 1996. The Authority was also responsible for creating a Brownfield plan for the Brownfield Redevelopment Zone. The duration of the plan is thirty years. The Brownfield Authority is considered a component unit of the EDC and is reported within this financial statement. The Authority has not had any financial activity since its inception.

The director of the Authority is to be a City staff person acting as agent for the Brownfield Redevelopment Authority and is covered under the City's insurance and bonding policy.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, normally supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Interest income and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds.

Economic Development Corporation of the City of Flint

Notes to Financial Statements June 30, 2008

Note I - Summary of Significant Accounting Policies (Continued)

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenue is recognized as soon as they are both measurable and available. Revenue is considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The EDC reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The State Revolving Loan Special Revenue Fund – This special revenue fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The fund currently accounts for state revolving loan grant funds held to provide loans to small businesses.

The EDC reports the following major proprietary fund:

Oak Business Center – This fund is used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. The Oak Business Center Enterprise Fund is a small business incubator facility which leases commercial and light industrial space to new businesses.

Private-sector standards of accounting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The EDC has elected not to follow subsequent private-sector guidance issued after November 30, 1989 for its business type activities.

Economic Development Corporation of the City of Flint

Notes to Financial Statements June 30, 2008

Note I - Summary of Significant Accounting Policies (Continued)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Proprietary funds distinguish *operating* revenue and expenses from *nonoperating* items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary fund relates to charges to customers for leased space. Operating expenses for the enterprise fund include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, liabilities, and net assets or equity

1. Bank deposits and investments

The EDC's cash and cash equivalents include cash on hand and demand deposits. The carrying amount of deposits is separately displayed on the financial statements as "cash and cash equivalents". Investments consist of money market funds and are stated at fair value.

2. Cash held with agent

The City of Flint is the acting fiscal agent for EDC. The City of Flint holds cash on behalf of the EDC for operations.

3. Receivables and payables

In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the *fiscal* year are referred to as "advances to/from other funds" Any residual balances outstanding between the governmental and business-type activities are reported in the government-wide financial statement as "internal balances."

Activity between the EDC and the City of Flint that are representative of lending/borrowing arrangements outstanding at the end of the *fiscal* year are referred to as either "due to/from the primary government (City of Flint).

All trade receivables for Oak Business Center tenants, are shown net of an allowance for uncollectibles. Oak Business Center rent receivable for non-current tenants and current tenants over 90 days comprise the trade accounts receivable allowance for uncollectibles of \$3,801.

Economic Development Corporation of the City of Flint

Notes to Financial Statements June 30, 2008

Note I - Summary of Significant Accounting Policies (Continued)

D. Assets, liabilities, and net assets or equity (continued)

4. Prepaid items

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both the government-wide and fund financial statements.

5. Restricted Assets

The excess funds of the State Revolving Loan Fund were sequestered in a separate bank account since the capital loaned or committed fell below the EDC's required capital utilization percentage in two consecutive reporting periods. The amount sequestered (\$299,960 at June 30, 2008) is the difference between actual capital utilization in the second reporting period and target capital utilization, including matching funds. If EDC fails to achieve the applicable target capital utilization percentage after a reasonable period of time, it may be subject to sanctions such as suspension or termination. The sequestered amount consists of cash and cash equivalents and has been classified as restricted assets.

6. Capital assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of \$5,000 and an estimated useful life in excess of a year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant, and equipment of the EDC is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20
Building improvements	10-20
Machinery equipment	5

7. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Economic Development Corporation of the City of Flint

Notes to Financial Statements June 30, 2008

Note 1 - Summary of Significant Accounting Policies (Continued)

E. Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 - Reconciliation of Government-Wide and Fund Financial Statements

Reconciliation of the Balance Sheet to the Statement of Net Assets:

Fund balances reported in governmental funds	\$ 472,829
Loans receivable that are collected after year end, such that they are not available to pay bills outstanding at year end, are fully deferred in the fund statements	<u>317,879</u>
Net Assets of Governmental Activities	<u>\$ 790,708</u>

Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities:

Net Change in Fund Balance – Total Governmental Funds	\$(272,060)
Governmental funds report loans to outside parties as expenditures; however, in the statement of activities these costs are not considered expenses of the entity	250,000
Loans receivable that are collected after year end, such that they are not available and are deferred in the fund	<u>67,879</u>
Change in Net Assets of Governmental Activities	<u>\$ 45,819</u>

Note 3 - Stewardship, Compliance, and Accountability

Budgetary Information – Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all Special Revenue Funds. All annual appropriations lapse at fiscal year end. The budget document presents information by fund, function, and line items. The legal level of budgetary control adopted by the governing body is the fund level.

The General Fund original budget was adopted by the Board however the amounts approved by the Board could not be located.

Fund deficits - The Oak Business Center Enterprise Fund has an unrestricted net asset deficit of \$19,843 at June 30, 2008.

Economic Development Corporation of the City of Flint

**Notes to Financial Statements
June 30, 2008**

Note 4 - Detail Notes on All Funds

A. Deposits and investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended), authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The EDC has designated Citizens Bank and Chase Bank for the deposit of its funds. The EDC also has funds held by the City of Flint in the City's name. The EDC's deposits and investment policies are in accordance with statutory authority.

The EDC's cash is subject to the below detailed risk.

Custodial credit risk of bank deposits:

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. At year end, the EDC had \$199,960 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution it deposits funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Deposits at June 30, 2008, are reflected on the balance sheet of the EDC as follows:

Cash and cash equivalents	\$158,827
Cash held with agent	10,751
Restricted assets	<u>299,960</u>
	<u><u>\$469,538</u></u>

Economic Development Corporation of the City of Flint

Notes to Financial Statements June 30, 2008

Note 4 – Detail Notes on All Funds (Continued)

B. Capital assets

Capital asset activity for the EDC's business-type activities was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business type Activities				
Capital assets, not being depreciated:				
Land	\$ 93,860	\$ -	\$ -	\$ 93,860
Total capital assets, not being depreciated	93,860	-	-	93,860
Capital assets, being depreciated:				
Buildings	514,782	-	-	514,782
Improvements other than buildings	694,177	-	-	694,177
Machinery and equipment	17,046	-	-	17,046
Total capital assets being depreciated	1,226,005	-	-	1,226,005
Less accumulated depreciation for:				
Buildings	470,383	25,739	-	496,122
Improvements other than buildings	339,112	35,089	-	374,201
Machinery and equipment	17,046	-	-	17,046
Total accumulated depreciation	826,541	60,828	-	887,369
Total capital assets, being depreciated, net	399,464	(60,828)	-	338,636
Proprietary activities capital assets, net	<u>\$ 493,324</u>	<u>\$ (60,828)</u>	<u>\$ -0-</u>	<u>\$ 432,496</u>

Fixed assets purchased through TIFA funds:

During the year ending June 30, 1989, the Tax Increment Finance Authority (TIFA) of the City of Flint contributed \$760,000 to the EDC to enable the EDC to purchase the Oak Business Center, a small business incubator facility. TIFA contributed an additional \$343,642 during the years ended June 30, 1991 through 2000 for capital improvements to the Oak Business Center. The EDC is managing the facility and is accounting for its operations in the Oak Business Center Enterprise Fund.

There are no capital assets used for governmental activities.

Economic Development Corporation of the City of Flint

Notes to Financial Statements June 30, 2008

Note 4 - Detail Notes on All Funds (Continued)

C. Interfund receivables, payables, and transfers

The composition of interfund balances at June 30, 2008 is as follows:

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
General Fund	Enterprise Fund	<u>\$ 21,941</u>

The balance owing from the Oak Business Center to the General Fund resulted from the General Fund covering the negative cash balance in the pooled cash accounts.

There were no transfers between funds over the reporting period.

D. Oak Business Center unrestricted net asset deficit

Oak Business Center is currently incurring operating losses. Management has reviewed these losses and has plans to modify rental rates for fiscal year 2009 as well as receive operating contributions from the City of Flint.

Note 5 - Other Information

A. Contingent liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the state and federal government. The EDC did not receive any grant funding in 2008, but grants expanded prior to the current year are still subject to grantor compliance monitoring. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

B. Risk management

The EDC is exposed to various risks of loss to property loss, and torts. The EDC has purchased commercial insurance for tort claims and certain property damage and theft. Settled claims for the commercial insurance have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverage obtained through commercial insurance during the past year.

Economic Development Corporation of the City of Flint

**Notes to Financial Statements
June 30, 2008**

Note 5 - Other Information (Continued)

C. Contributed material and services

The City of Flint provides administrative services to the EDC, acting as its fiscal agent.

No amounts have been reflected in the statements for contributed materials or services as no objective basis is available to measure the value of such goods and services.

D. Related party transactions

The Economic Development Corporation provides services to its primary government, the City of Flint. EDC provides services related to the administration of the City's revolving loan fund. In return, EDC is eligible to earn administrative revenue equal to half of the interest earned on these revolving loans.

E. Lease contracts and bonds

As of June 30, 2008, the Corporation had issued thirty-three bonding projects, as described in Note 1. Following are details of each bond issue:

Project: Parking Ramp

Amount of issue: \$4,000,000

Date of issue: June 1979

Rate and terms: 8.5%; 30 years

Project: Electronics Firm

Amount of issue: \$525,000

Date of issue: November 26, 1980

Rate and terms: 9 3/4% ceiling - 6% floor actual rate,
floats at 2/3 of prime rate; 15 years

Project: Bowling Center

Amount of issue: \$1,200,000

Date of issue: December 1, 1980

Rate and terms: 9%; 15 years

Project: Industrial Lift Trucks

Amount of issue: \$900,000

Date of issue: December 16, 1980

Rate and terms: 9 1/4%; 20 years

Project: Plumbing Supply Firm

Amount of issue: \$450,000

Date of issue: March 30, 1981

Rate and terms: 65% of prime; 15 years

Economic Development Corporation of the City of Flint

Notes to Financial Statements June 30, 2008

Note 5 - Other Information (Continued)

E. Lease contracts and bonds (continued)

Project: Retail Mall

Amount of issue: \$645,000

Date of issue: May 18, 1981

Rate and terms: 8.5%; 14 years

Project: Office Development Center

Amount of issue: \$550,000

Date of issue: July 7, 1981

Rate and terms: 8.5%; 20 years

Project: Realty Office Construction

Amount of issue: \$360,000

Date of issue: November 20, 1981

Rate and terms: 13%; 25 years

Project: Plumbing Supply Firm

Amount of issue: \$100,000

Date of issue: March 30, 1981

Rate and terms: 65% of prime; 5 years

Project: Office Development Center

Amount of issue: \$200,000

Date of issue: July 7, 1981

Rate and terms: 8.5%, 10 years

Project: Nursing Home

Amount of issue: \$3,600,000

Date of issue: December 1, 1982

Rate and terms: 12 1/2%; 28 years

Project: Medical Clinic

Amount of issue: \$550,000

Date of issue: November 1, 1982

Rate and terms: 11%; 20 years

Project: Investment Company

Amount of issue: \$330,000

Date of issue: October 1, 1983

Rate and terms: 66 2/3% of prime; 14 years

Project: Accounting Firm

Amount of issue: \$230,000

Date of issue: December 1, 1983

Rate and terms: 75% of prime; 20 years

Economic Development Corporation of the City of Flint

**Notes to Financial Statements
June 30, 2008**

Note 5 - Other Information (Continued)

E. Lease contracts and bonds (continued)

Project: Plumbing Supply Wholesaler

Amount of issue: \$500,000

Date of issue: December 12, 1983

Rate and terms: 11%; 12 years

Project: Oil Processing

Amount of issue: \$2,000,000

Date of issue: December 1, 1983

Rate and terms: 75% of prime; 14 years

Project: Manufacturing

Amount of issue: \$5,500,000

Date of issue: December 1, 1983

Rate and terms: 95% of prime; 10 years

Project: Accounting Firm

Amount of issue: \$270,000

Date of issue: December 1, 1983

Rate and terms: 75% of prime; 7 years

Project: Manufacturing

Amount of issue: \$1,000,000

Date of issue: October 1, 1984

Rate and terms: 68% of prime; 3 years

70% of prime; 3 years

72% of prime; 5 years

Project: Retail and Office Development

Amount of issue: \$900,000

Date of issue: November 29, 1985

Rate and terms: Greater of 85% of prime or 7%; 10 years

Project: Manufacturing

Amount of issue: \$1,132,000

Date of issue: July 1, 1986

Rate and terms: 80% of prime; 20 years

Project: Health Care Facilities

Amount of issue: \$804,000

Date of issue: December 31, 1988

Rate and terms: 66% of (prime + 1)
+ .3 percentage points; 20 years

Economic Development Corporation of the City of Flint

**Notes to Financial Statements
June 30, 2008**

Note 5 - Other Information (Continued)

E. Lease contracts and bonds (continued)

Project: Health Care Facilities
Amount of issue: \$2,100,000
Date of issue: December 31, 1988
Rate and terms: 66% of (prime + 1)
+ .3 percentage points; 7 years

Project: Counseling Facilities
Amount of issue: \$1,950,000
Date of issue: December 31, 1988
Rate and terms: 66% of (prime + 1)
+ .3 percentage points; 20 years

Project: Health Care Facilities
Amount of issue: \$2,945,210
Date of issue: August 1, 1993
Rate and terms: 66% of prime
+ 30 basis points, 10 years

Project: Manufacturing
Amount of issue: \$1,975,000
Date of issue: December 1, 1993
Rate and terms: Variable (lower floater pricing); 15 years

Project: Educational Facility
Amount of issue: \$7,000,000
Date of issue: July 1, 1994
Rate and terms: 75% of Bond Buyer Revenue
Bond index rate; 20 years

Project: Educational Facility
Amount of issue: \$2,500,000
Date of issue: February 1, 1997
Rate and terms: 75% of Bond Buyer Revenue
Bond index rate; 20 years

Project: Manufacturing
Amount of issue: \$2,800,000
Date of issue: September 27, 1997
Rate and terms: Variable; 9 years

Project: Manufacturing
Amount of issue: \$7,500,000
Date of issue: December 1, 1998
Rate and terms: Variable

Economic Development Corporation of the City of Flint

Notes to Financial Statements June 30, 2008

Note 5 - Other Information (Continued)

E. Lease contracts and bonds (continued)

Project: Health Care Facilities
Amount of issue: \$12,835,000
Date of issue: August 15, 2001
Rate and terms: Variable, \$245,000 in 2009
balance 2022

Project: Genesys Hurley
Amount of issue: \$12,835,000
Date of issue: August 15, 2001
Rate and terms: Variable, \$245,000 in 2009
balance 2022

Project: Genesys Hurley Cancer Institute
Amount of issue: \$11,500,000
Date of issue: June 30, 2008
Rate and terms: Variable, \$383,336 in 2009
balance 2028

F. EDC designation

The City of Flint has designated the EDC as the City's agent for purposes of managing, preserving, enhancing, and marketing all of the unoccupied commercial and industrial properties owned by the City so that said properties may be managed, preserved, enhanced, and marketed by the EDC for use in commercial and industrial projects.

A separate Revolving Building Fund is to be established to be used to account for the funds raised by the sale of any such properties. No sales or property resulting in proceeds to the EDC have occurred since the designation. Since the fund is inactive, it has not been reported in the financial statements.

G. Subsequent event

Subsequent to year end, Delphi Automotive Systems, LLC donated property to the EDC. The EDC has entered into an agreement with the Michigan Economic Development Corporation Community to use the property for a Buick City Intermodel Redevelopment Project.

Required Supplemental Information

Economic Development Corporation of the City of Flint

Budgetary Comparison Schedule - Governmental Funds Year Ended June 30, 2008

Special Revenue - State RLF				
	Budget		Actual	Variance with Amended Budget
	Original	Final		
Revenue				
State grants	\$ -	\$ -	\$ -	\$ -
Local sources	-	-	-	-
Charges for services	-	-	-	-
Interest	15,500	15,500	12,594	(2,906)
Miscellaneous	-	-	5,539	5,539
Total revenue	15,500	15,500	18,133	2,633
Expenditures				
Economic development				
Professional services	15,000	35,000	46,516	(11,516)
Bank fees	500	500	1,168	(668)
Loans	700,000	700,000	250,000	450,000
Interest expense	-	-	-	-
Total expenditures	715,500	735,500	297,684	437,816
Excess of Revenue Over (Under) Expenditures	(700,000)	(720,000)	(279,551)	(440,449)
Fund Balance - Beginning of year	743,258	743,258	743,258	-
Fund Balance - End of year	\$ 43,258	\$ 23,258	\$ 463,707	\$ (440,449)

See Notes to Financial Statements.

Results of the Audit

December 19, 2008

To the Board of Directors
Economic Development Corporation of the City of Flint

We have audited the financial statements of Economic Development Corporation of the City of Flint for the year ended June 30, 2008, and have issued our report thereon dated December 19, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated July 18, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. We are responsible for planning and performing the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of Economic Development Corporation of the City of Flint. Our consideration of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters and our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on October 24, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the

appropriateness of accounting policies and their application. The significant accounting policies used by Economic Development Corporation of the City of Flint are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008.

We noted no transactions entered into by the organization during the year for which there is a lack of authoritative guidance or consensus.

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were the useful lives for capital assets and the allowance for uncollectible rent receivables.

Management's estimate of the lives for capital assets and allowance for uncollectible is based on the anticipated length the asset will be in service and rent receivable outstanding 90 days or greater. We evaluated the key factors and assumptions used to develop the estimate of useful lives and uncollectible in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 19, 2008.

December 19, 2008

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the organization’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

In the normal course of our professional association with the organization we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the organization, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the organization’s auditors.

This information is intended solely for the use of the Board of Directors and management of Economic Development Corporation of the City of Flint and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Plante & Moran, PLLC

A handwritten signature in black ink, appearing to read "Peggy Haw Jury". The signature is fluid and cursive, with the first name "Peggy" being more prominent.

Peggy Haw Jury, CPA, CFE

Economic Development Corporation of the City of Flint

Other Recommendations

Budget Adoption

Prior to the start of the fiscal year as evidenced by the board meeting minutes a budget was adopted for the General Fund by the board; however, the amounts adopted could not be located. We recommend that the board minutes meetings indicate the total amount of revenues and expenditures approved and the budget be attached to the minutes summary.